

Are you braced for hurricane season 2010?

Accurate loss estimates as quickly as 48-72 hours^a now possible with Visual Intel

2009 was an exceptionally calm year for US hurricanes

Losses from natural catastrophes and man-made disasters have continuously trended upwards in the past two decades (Munich Re report) and we have seen high volatility from one year to the next. In 2009, there were no major hurricanes on the scale of Katrina (2005) or Ike (2008), but that may change within days or weeks in the upcoming 2010 hurricane season beginning June 1.

Shubharoop Ghosh, Managing Director of eCityRisk commented: "In 2009, we were lucky not to have a serious hurricane event. However, that does not give us the excuse to be unprepared or underprepared for a hurricane of catastrophic proportions this year."

Born out of a situation like Hurricane Katrina, some of the business issues that risk managers face, span across multiple business functions such as operational, strategic and financial. In the wake of a major disaster,

- are you concerned about the accuracy of initial loss estimates?
- do you worry about the implications of going public with inaccurate loss predictions?
- how do you obtain claims information when loss adjustors cannot get into the affected area?
- how do you obtain an independent validation of loss estimates, because after Katrina/Ike actual losses differed significantly from initial estimates?

Progressive risk managers of today are trying to dig deeper to find answers to these questions to protect their assets.

Your rating is at stake, and so is your reputation

Important lessons were learned by the insurance industry from the Katrina (2005) and Gustav/Ike (2008) events. These had direct implications on the ratings of insurers or re/insurers and the very reputation of these companies. The pain caused by discrepancies between actual losses and initial estimates was enormous. It created a number of serious problems, including:

^a Timing of data delivery varies with type of Visual Intel and size of event

- **Dramatic fall in share price.** Inaccurate initial post-disaster loss estimates resulted in major upward revisions of loss estimates up to 400% (or 4 times) in case of Katrina. This was linked to dramatic share price falls of certain insurers.
- **Poorly informed Capital Management decisions.** Costly mistakes resulting from liquidating assets to cover inaccurate estimates of expected claims, or based on inaccurate information that an event has tipped the company into a layer where they incur loss.
- **Reduced confidence in company performance.** Initial estimates proved inaccurate and in many cases losses increased significantly. Reduced confidence of rating agencies, shareholders, investors and reinsurers.
- **Downgrading.** Being placed under CreditWatch or Downgraded due to poor reporting or unexpected losses. A.M. Best downgraded 15 ratings after Katrina and held 10 companies under review.

Visual Intel for Loss Estimation and Claims

Recognizing the risks and limitations of a post-disaster response strategy focused on modeled estimates, some more progressive insurance and reinsurance companies are now introducing additional post-disaster damage information in the form of Visual Intel to calculate ground-up loss and independently validate modeled results.

Visual Intel for loss estimation and claims process is:

- **Evidence** – a highly effective means of quickly and independently assessing damage/business interruption for claims and producing/refining initial ground-up losses
- **The facts** - real-world disaster footprints, fly-by, street-view and satellite information for personal/commercial lines, treaty/facultative policies served in Google Earth or GIS format
- **A considered Investment** - part of your cat plan that will reduce uncertainty and increase accuracy of initial figures
- **Recognized** - by Lloyd's and A.M. Best as a credible source of damage and loss information

Visual Intel also includes information such as flood boundaries and storm surge impact zones that have been extracted from aerial and satellite reconnaissance images and converted to GIS format for immediate analysis.

Timing is Key

Visual Intel is, on average, available 2-3 days after an event strikes for calculating estimates of ground up loss based on real world damage states. During disaster response, it may either be inserted into your company's process during:

- The initial phase of intelligence gathering and internal response planning
- Board-level discussions prior to going public

With the 2010 hurricane season right around the corner, prudent risk managers should not rule out Visual Intel as a part of their cat response plan and claims process.

Strategic Benefits of Visual Intel as a part of your Cat Response plan

Visual Intel offers several strategic benefits. It provides a framework to meet Solvency II/ ERM requirements by demonstrating loss estimation accountability. Increased accuracy and confidence in loss figures help better-informed capital management decisions. And above all, it provides a competitive advantage by getting a jump on the market with capital management.

Sourcing Visual Intel

Be aware that there is a major difference between just raw visual data available in the market place and Visual Intel. Several commercial providers of aerial imagery and satellite companies will provide you the raw data, but it requires specialized skills and algorithms for making sense of the data, transforming the data into Visual Intel, and integrating with your Cat response workflow. More specific details on Visual Intel can be found on the web at www.ecityrisk.com/.

About eCityRisk

eCityRisk is the developer and a trusted provider of Visual Intel to the insurance and financial services industries. eCityRisk specializes in providing rapid and reliable information to guide critical business decisions before, during and after disasters. For further information, please contact:

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